

1 BRIAN WEISS
Court Appointed Receiver
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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 In re

12 EAGAN AVENATTI, LLP

13 Debtor
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Case No. 8:18-CV-01644-VAP-KES

**RECEIVER'S FOURTH INTERIM
REPORT**

Date: No Hearing Required
Time:
Place:

Pursuant to the Joint Stipulation between Judgment Debtor Eagan Avenatti, LLP (“EA”) and Michael Avenatti (“Avenatti”) and Judgment Creditor Jason Frank Law, on February 13, 2019, I (Brian Weiss) was appointed as the Receiver of EA (the “Appointment Order”) [Docket No. 53]. This is my report for the period ended June 30, 2019.

The purpose of this report is to provide:

- A narrative of material events;
- A financial report;
- An accounting of the income and expenses incurred in the administration of EA, including the Receiver’s fees and expenses.

Efforts by the Receiver to Identify, Quantify and Recover Assets and Material Events

- EA’s existing Litigation cases – identify, filing of notices/liens and assist clients in transiting cases to new counsel;
- I have performed extensive analyses of EA banking transactions and identified approximately fifty parties that may have received fraudulent transfers. Landau Gottfried & Berger LLP (“LGB”) sent demand letters to persons and entities identified by me that may be recipients of fraudulent transfer claims under applicable State laws to recover such transfers and are in the process of answering questions of and requesting information from those recipients regarding the transfers. Those communications are continuing;
- During this reporting period, in litigation entitled *Eagan Avenatti, LLP v. Stoll, et al., etc.*, Case No. 30-2011-00483570 [consolidated with Case No. 30-2013-00627604]¹, pending in the Superior Court of California, County of Orange, defendant Stoll, Nussbaum & Polakov (“SNP”) filed a second amended complaint

¹ Two parties in this consolidated case also commenced litigation against EA and certain former firm attorneys in the Santa Barbara Superior Court, *Parrish, et al., v. Michael Avenatti, et al.*, Case No. 19CV01686.

1 against EA, alleging various claims arising from EA's purported diversion of legal
2 fees claimed as owed to it as contingency fee co-counsel with EA in litigation
3 resolved in the client's favor. LGB, at my instruction, cooperated with SNP by
4 providing financial and other information about this receivership case, explaining
5 why litigation against the estate would not be in the interests of either party and
6 why I would not accept service of that new cross-complaint unless and until the
7 District Court approved a motion requiring me to do so, and offering to allow SPN
8 a claim against the receivership estate for the contractual amount of its claimed fee.
9 SPN rejected that offer and my demand that it obtain leave of this Court prior to
10 proceeding against me on its new cross-complaint. Instead, SNP served on me and
11 filed a request for entry of default on that pleading and served on me a subpoena to
12 produce documents. At my request, LGB is filing an objection to the pleading and
13 serving an objection to the subpoena;

14 • In addition to the foregoing case, LGB learned that EA's former client
15 Geoffrey E. Johnson had filed a complaint entitled *Johnson v. Avenatti, et al.*, Case
16 No. 30-2019-01076162-CU-PN-CJC, in the Superior Court of California, County of
17 Orange. The complaint asserts various claims against EA and certain former
18 attorneys and a staff member of the firm for various claims arising from the
19 purported improper diversion of funds from a settlement achieved on Mr. Johnson's
20 behalf. At my instruction, LGB communicated with plaintiff's counsel about that
21 claim and provided information about this receivership, explained why litigation
22 against the estate would not be in the interests of either party and why I would not
23 accept service of the complaint unless and until the District Court approved a
24 motion requiring me to do so, and offering to allow plaintiff's claim against the
25 receivership estate for the contractual amount to which he would be entitled
26 pursuant with his engagement agreement with EA;

27 • Prior to this reporting period former EA client Gregory Barela and Talitha
28 Barela commenced an arbitration through JAMS against Michael Avenatti,

1 Avenatti & Associates, EA and certain of the firm's attorneys for various claims
2 arising from the purported improper diversion of funds from a settlement achieved
3 on Mr. Barela's behalf. My counsel and I met with Mr. Barela's attorney about that
4 claim and provided information about this receivership, explained why litigation
5 against the estate would not be in the interests of either party, and offering to allow
6 Mr. Barela's claim against the receivership estate for the contractual amount owed
7 to him pursuant with his engagement agreement with EA. Recently, LGB received
8 communications from JAMS which indicate that the arbitration is being pursued by
9 the claimants;

10 • The receivership estate is pursuing an interest in a Honda jet indirectly
11 owned by Avenatti and a third-party which has been seized by the IRS to pay taxes
12 claimed as owed by Avenatti. EA had used its funds to pay part of the purchase
13 price of the jet and, for that reason, my counsel and I believe the estate has a right
14 to recover that sum upon the sale of the jet. Discussions with multiple parties
15 asserting an interest in the jet are on-going in an attempt to sell the jet and resolving
16 competing claims against the anticipated sale proceeds.

17 • Based on my assessment, as of the date of this report, and subject to further
18 investigation, the key assets potentially available for recovery include:

- 19 • Recoveries from active client cases, most of which are contingency-
20 based;
- 21 • Artwork and office furniture and equipment, which may be subject to
22 an enforceable Asset Purchase Agreement by which X-Law Group
23 purportedly purchased those assets from EA. Certain of the assets also
24 may be subject to a Superior Court Order and a Marital Dissolution
25 Agreement between Avenatti and his former spouse, Lisa Storie-
26 Avenatti and to a Judgment lien asserted by Jason Frank Law;

- EA funds used to purchase an interest in the Honda jet owned by Passport 420 LLC (an entity in which Avenatti claims an ownership interest).

• In the near future I plan to file a motion to authorize the sale of these assets (both X-Law Group and Jason Frank Law may claim an interest in the office furniture and equipment), as well as art work held in another storage facility (Avenatti's former spouse (Lisa Storie-Avenatti) also claims an ownership interest in at least some of the art work).

Financial Report

As of June 30, 2019, I am holding pursuant to the Appointment Order \$2,000 in cash. As of the date the Appointment Order, EA did not have cash in its bank accounts.

Summary of EA's Monthly Income and Expenses

From the date of the Appointment Order through June 30, 2019, the EA receivership estate has incurred no operating costs. The professional fees incurred during this reporting period and since my appointment as the Receiver include the following:

Professional	Fees & Costs Incurred	Fees Paid	Total Fees Due
Receiver & Force Ten Partners, LLC	June 2019 \$4,851.00 See Exhibit A	\$0	\$130,733.18
Landau Gottfried & Berger LLP	June 2019 \$33,555.65	\$0	\$249,638.32

As described in this report, I am continuing to carry out my court-ordered duties and my efforts are ongoing. I will report all material developments in future

1 reports.

2 This report contains information that is subject to my continuous review, and
3 every effort will be made to advise the recipients of any significant changes or
4 corrections.

5 I hereby declare that this report is accurate to the best of my knowledge.

6 Executed at Newport Beach, California on July 3, 2019.

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